

Select Committee on Pension Policy

P.O. Box 40914
Olympia, WA 98504-0914
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Executive Committee

November 9, 2004

8:30 - 9:30 AM

1:00 - 3:30 PM

Senate Conference Room A-B-C, Olympia

AGENDA

- (A) Approval of September and October Meeting Minutes**
- (B) Today's Full Committee Meeting**
- (C) Age 65 Retirement Subgroup Report**
 - Mr. Goeke
- (D) Purchasing Power Subgroup Report**
 - Representative Fromhold
- (E) Deferred Rate Increases (Bill Draft)**
 - Matt Smith, State Actuary
- (F) LEOFF 1 Benefit Cap (Bill Draft)**
 - Bob Baker
- (G) LEOFF 1 Ex-spouse Survivor Benefit**
 - Bob Baker
- (H) Retire/rehire Sick Leave Cashout**
 - Mr. Westberg
- (I) Interruptive Military Service**
 - Laura Harper
- (J) December Meeting Agendas**
- (K) Actuary Performance Evaluation**
 - Senator Fraser, Mr. Goeke

Representative Gary Alexander

Elaine M. Banks
TRS Retirees

Marty Brown, Director*
Office of Financial Management

Senator Don Carlson

John Charles, Director
Department of Retirement Systems

Representative Steve Conway*
Vice Chair

Richard Ford
PERS Retirees

Senator Karen Fraser*
Chair

Representative Bill Fromhold

Leland A. Goeke*
TRS and SERS Employers

Bob Keller
PERS Actives

Corky Mattingly
PERS Employers

Doug Miller
PERS Employers

Glenn Olson
PERS Employers

Representative Larry Crouse

Diane Rae
TRS Actives

Senator Debbie Regala

J. Pat Thompson
PERS Actives

David Westberg*
SERS Actives

***Executive Committee**

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DRAFT MINUTES EXECUTIVE COMMITTEE MEETING

September 7, 2004

The Select Committee on Pension Policy met in Senate Conference Room A-B-C, Olympia, Washington on September 7, 2004.

Executive Committee members attending:

Senator Fraser, Chair
Representative Conway, Vice-Chair
Leland Goeke
David Westberg

Other members attending the morning session:

Representative Alexander
Elaine Banks
Senator Carlson
Representative Fromhold
Corky Mattingly
Doug Miller
Glenn Olson
Diane Rae
Maureen Westgard attending for John Charles

Senator Fraser, Chair, called the meeting to order at 9:30 AM.

(A) Personnel Issues

Senator Fraser announced that Richard Ford had resigned to accept an appointment to the Transportation Commission. Since Mr. Ford was a member of the State Actuary Appointment Committee a replacement would need to be appointed. She asked members for recommendations.

(B) Executive Committee Action Before Full Committee Meeting

PFC Subgroup Report and Deferred Rate Increases:

Matt Smith, State Actuary, reviewed the "PFC Subgroup Report" and the "Deferred Rate Increases" report. Committee members discussed these issues.

Representative Gary Alexander

Elaine M. Banks
TRS Retirees

Marty Brown, Director*
Office of Financial Management

Senator Don Carlson

John Charles, Director
Department of Retirement Systems

Representative Steve Conway*
Vice Chair

Representative Larry Crouse

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Glenn Olson
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Senator Debbie Regala

J. Pat Thompson
PERS Actives

David Westberg*
SERS Actives

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It was moved that the Executive Committee recommend to the Full Committee that the SCPP recommend that the PFC adopt the preliminary 2005-07 contribution rates, as calculated by the State Actuary, including the cost of recognizing the liability associated with future gain-sharing benefits. Seconded.

MOTION CARRIED

OSA Budget:

Matt Smith, State Actuary, presented the "2005-07 OSA Budget Request" handout. Members discussed the request.

The meeting adjourned at 9:55 AM to attend the Full Committee meeting.

The meeting was called to order at 12:30 PM.

Executive Committee members attending:

Senator Fraser, Chair
Representative Conway, Vice-chair
Leland Goeke
David Westberg
Maureen Westgard attending for John Charles

Other members attending the afternoon session:

Representative Alexander
Elaine Banks
Senator Carlson
Representative Fromhold
Corky Mattingly
Glenn Olson
Diane Rae

(C) Action on Today's Issues

Age 65 Retirement:

Members discussed this issue and staff was instructed to provide a handout with costs for the October Full Committee Agenda.

The meeting adjourned at 1:00 for lunch.

The meeting resumed at 1:30 PM.

Retiree Health Insurance:

Committee members discussed this issue. They decided the Purchasing Power subgroup would study it and report at the October Executive Committee meeting.

The following people testified:

Leslie Main, Washington State School Retirees Association

Steve Nelsen, LEOFF 2 Board

(D) Interruptive Military Service Credit

Laura Harper, Senior Research Analyst Legal, reported on the "Military Service Credit" report.

Steve Nelsen, LEOFF 2 Retirement Board, also spoke on this issue.

Representative Conway requested staff to draft bill language and schedule Interruptive Military Service Credit for the October Full Committee meeting.

(E) SCPP Executive Committee Membership

Laura Harper, Senior Research Analyst Legal, reviewed the "Executive Committee Membership" handout. Staff was instructed to draft bill language and schedule this issue for the October Full Committee meeting.

(F) Post-retirement Employment Subgroup Report

Representative Fromhold reviewed the "Post-retirement Employment Bill Comparison" table, and after members discussed this issue, staff was instructed to draft bill language on Draft E and schedule for the October Full Committee meeting.

Dave Nelsen, Department of Retirement Systems spoke on Draft E.

(G) 2005 Subgroup: Extended School Year

The members on this subgroup are: Lee Goeke, Elaine Banks, Diane Rae and a member from DRS.

Staff was asked to poll the SCPP members regarding changing the November meeting date from November 9th to another date in November.

(H) Personnel Issues

A State Actuary Evaluation Committee was established. The members on the State Actuary Evaluation Committee are Senator Fraser and Leland Goeke.

The meeting adjourned at 3:00 PM.

Select Committee on Pension Policy

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DRAFT MINUTES EXECUTIVE COMMITTEE MEETING

October 19, 2004

The Select Committee on Pension Policy met in Senate Conference Room A-B-C, Olympia, Washington on October 19, 2004.

Executive Committee members attending:

Senator Fraser, Chair
Representative Conway, Vice-Chair
Leland Goeke
David Westberg
John Charles, alternate for Marty Brown

Other members attending the morning session:

Representative Alexander
Elaine Banks
Senator Carlson
Representative Fromhold
Robert Keller
Corky Mattingly
Doug Miller
Glenn Olson
Diane Rae

Senator Fraser, Chair, called the meeting to order at 9:30 AM.

Senator Fraser recommended that the Draft Minutes of the Executive and Full Committee meetings be put on the Agendas for approval by the Committee members.

(A) Today's Full Committee Meeting

Age 65 Retirement Subgroup Report

Lee Goeke reported that the Age 65 Retirement Subgroup met October 14th. The subgroup recommended that the Executive Committee recommend Option 1: "Rule of 90" and consider taking this recommendation to the Full Committee. Out-of-state service credit was also discussed. Other subgroup members spoke on this issue.

Representative Gary Alexander

Elaine M. Banks
TRS Retirees

Marty Brown, Director*
Office of Financial Management

Senator Don Carlson

John Charles, Director
Department of Retirement Systems

Representative Steve Conway*
Vice Chair

Representative Larry Crouse

Richard Ford
PERS Retirees

Senator Karen Fraser*
Chair

Representative Bill Fromhold

Leland A. Goeke*
TRS and SERS Employers

Bob Keller
PERS Actives

Corky Mattingly
PERS Employers

Doug Miller
PERS Employers

Glenn Olson
PERS Employers

Diane Rae
TRS Actives

Senator Debbie Regala

J. Pat Thompson
PERS Actives

David Westberg*
SERS Actives

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The following person testified:

John Kvamme, Washington Association of School Administrators/Association of Washington School Principals.

Senator Fraser reviewed the Full Committee Agenda.

Opt in/Opt Out, Age 70½ Subgroup

Lee Goeke reported that the Opt in/Opt Out, Age 70½ Subgroup met October 19th. The Subgroup recommended that the Executive Committee restructure these two bills into a single piece of legislation.

The meeting adjourned at 10:00 AM to attend the Full Committee meeting.

The meeting was called to order at 1:30 PM.

Executive Committee members attending:

Senator Fraser, Chair
Representative Conway, Vice-Chair
David Westberg
John Charles, alternate for Marty Brown

Other members attending the afternoon session:

Elaine Banks
Senator Carlson
Representative Fromhold
Robert Keller
Corky Mattingly
Glenn Olson
Senator Regala

(A) Age 65 Retirement

Representative Conway recommended the Age 65 Retirement Subgroup meet to discuss this issue further and report at the November Executive Committee meeting.

(B) Purchasing Power Subgroup Report

Representative Fromhold reported that the Purchasing Power Subgroup met on September 7th and are scheduled to meet following the completion of the Executive Committee meeting. Representative Fromhold reviewed the "Purchasing Power Subgroup Report" and Matt Smith spoke on the letter

received from the Retired Public Employees Council of Washington. The subgroup will report back to the Executive Committee on November 9th.

(C) Opt In/Opt Out, Age 70½

Staff was instructed to draft bill language and place this issue on the November 9th Full Committee agenda.

(D) Deferred Rate Increases

Matt Smith, State Actuary, reviewed the "Deferred Rate Increases" report.

It was moved to draft bill language with the understanding that more fiscal data will be provided and schedule for the November Executive Committee agenda. Seconded.

MOTION CARRIED

(E) State Patrol Rate Stability

Staff was instructed to draft bill language and put this issue on the November Full Committee agenda.

(F) LEOFF 1 Issues

Staff was instructed to draft bill language on "LEOFF 1 Survivor Benefits" and "LEOFF 1 Disability Boards" and put on the November 9th Full Committee agenda.

It was moved to draft bill language on "LEOFF 1 Benefit Cap" and "LEOFF 1 Ex-spouse Survivor Benefit" and schedule for the November 9th Executive Committee agenda. Seconded.

MOTION CARRIED

Matt Smith, State Actuary, reviewed the issues for the November 9th agendas.

Senator Fraser announced the Executive Committee meeting times will be 8:30 - 9:30 AM and 1:00 - 3:30 PM.

The meeting adjourned at 3:25 PM.

Select Committee on Pension Policy
Purchasing Power Subgroup Report
(October 25, 2004)

The Purchasing Power/Gain Sharing subgroup of the SCPP met in Senate Conference Room A-B-C, Olympia, Washington on October 19, 2004.

Subgroup members attending:

Senator Carlson
Senator Fraser
Representative Fromhold, Subgroup Chair
Elaine Banks
Lynn Maier
Leslie Main

Meeting Summary

Representative Fromhold, Subgroup Chair, called the meeting to order and asked staff to provide reports on the initial work plan.

Initial Work Plan - Staff Reports

Cost of Revisions to the \$1,000 Alternate Minimum Benefit:

Matt Smith, State Actuary, provided an oral report on this agenda item. The estimated cost of revising the eligibility criteria for the \$1,000 alternate minimum benefit to 20 years of service and 25 years retired would increase the 2005-07 employer contribution rates by 0.01% in PERS and 0.02% in TRS. Employer contribution rates in the 2007-09 biennium would increase by .01% for both PERS and TRS. It is estimated that the expanded eligibility criteria would add 461 TRS 1 retirees and 694 PERS 1 retirees to the \$1,000 alternate minimum benefit (these counts are based on the population at 9/30/2003 and would decrease between that date and the effective date of the act).

The increase in contribution rates is based on projected benefit payouts adjusted for survivorship. Estimated benefit payments, in total, would increase by \$1.3 million in 2005-07 for TRS 1 and \$2.3 million in PERS 1.

Representative Fromhold asked staff to provide handouts at the next subgroup meeting documenting the cost of the following items:

- Existing \$1,000 alternate minimum benefit and initial number of affected members
- Revised criteria (RPEC proposal) for \$1,000 alternate minimum benefit and initial number of affected members; and
- Indexed \$1,000 alternate minimum benefit under both existing and revised eligibility criteria.

Retiree Health Care Proposals:

Bob Baker, Senior Research Analyst, reviewed the handout entitled "Retiree Health Care Proposals." Subgroup members and representatives from the HCA discussed the proposals outlined in the report and reviewed the fiscal note on HB 1505. The subgroup decided to defer consideration of a proposal to modify the explicit Medicare subsidy and focus their efforts on the remaining two proposals.

Representative Fromhold asked the representatives from the HCA to report back with information on the following items:

- Plan 3 experience and utilization of PEBB retiree health insurance after separation from service after age 55 with at least 10 years of service; and
- Specific proposals to mitigate potential "adverse selection" under a proposal to provide a one-time open enrollment period under the PEBB retiree health insurance program.

Plan 1 vs. Plan 3 Gain-sharing Costs:

Marty McCauley, Associate Actuary, reviewed the handout entitled "Plan 1 vs. Plan 3 Gain-sharing Costs."

Gain-sharing Legal Questions:

Matt Smith provided an oral report summarizing information from an informal advice request he received from the Attorney General's Office on this subject. The oral report included the following summarized comments:

- There isn't a clear answer whether gain-sharing is a vested, contractual right. It might not be a vested, contractual right because of the reservation clause.
- If the court believes gain-sharing is a vested, contractual right, it is more likely than not that a court would find that the right has not been substantially impaired because members and beneficiaries were "put on notice" that the legislature may amend or repeal gain-sharing in the future (via the reservation clause).
- With regard to comparable benefits, if gain-sharing were repealed and replaced by another benefit, courts favor comparable benefits which are similar to the old benefit.
- Under the context of gain-sharing, it is reasonable to adjust the value of an uncertain and unpredictable benefit when determining the value of a comparable replacement which has little or no uncertainty.

Staff was requested to prepare a Plan 1 and Plan 3 benefit proposal that could replace the underlying gain-sharing benefits in each plan.

Next Meeting

November 9, 2004, following the completion of the Executive Committee meeting.

Select Committee on Pension Policy

Deferred Rate Increases

(October 27, 2004)

Issue

The Pension Funding Council (PFC) subgroup of the SPCPP proposed a 6-year phase-in of projected employer and plan 2 member contribution rates. Additionally, a permanent contribution rate floor would be established at the completion of the 6-year phase-in period.

Staff

Matt Smith, State Actuary
360-753-9144

Members Impacted

All employers and plan 2 members of the Public Employees Retirement System (PERS), Teachers Retirement System (TRS) and the School Employees' Retirement System (SERS) would be impacted. As of September 30, 2003, there were 146,403 plan 2 members in PERS, TRS and SERS. Of this combined total, 117,262 are PERS Plan 2 members.

Current Situation

Provisions governing the current contribution rate setting process are codified under the Actuarial Funding Chapter - Chapter 41.45 RCW. In summary, these provisions provide for the systematic actuarial funding of the state retirement systems. Biennial actuarial valuations performed on odd-year valuation dates are the basis for contribution rate recommendations to the Pension Funding Council (PFC). Contribution rates adopted by the PFC in September of even-numbered years, referred to as "basic rates," are effective during

the ensuing biennium subject to revision by the Legislature. Temporary and “supplemental rates” are charged in addition to the basic rates to fund the cost of benefit enhancements that are granted by the Legislature in between the 2-year basic rate cycles.

History

The Pension Funding Reform Act, Chapter 273, Laws of 1989, established a systematic actuarial funding process for the state retirement systems. Contribution rates under the initial Funding Reform Act were scheduled to remain in place for a 6-year period. Additionally, the current funding policy was established including the goal to fully amortize the plan 1 unfunded liability by June 30, 2024. Prior to the Funding Reform Act, pension contributions were subject to a discretionary appropriation by the Legislature.

Projected Contribution Rates

Projected Employer Contribution Rates*

System	Current	2005-07	2007-09	2009-11
PERS	1.18%	5.73%	7.28%	8.44%
TRS	1.17%	6.74%	10.15%	12.73%
SERS	0.85%	7.56%	9.45%	10.69%

** Includes the cost of prefunding the liability for existing gain-sharing benefit provisions.*

Projected Plan 2 Member Contribution Rates*

System	Current	2005-07	2007-09	2009-11
PERS	1.18%	3.38%	4.27%	4.89%
TRS	0.87%	2.48%	4.01%	5.01%
SERS	0.85%	3.51%	4.68%	5.39%

** The member contribution rate in PERS and TRS Plan 1 is fixed at 6%. Plan 3 members do not contribute to the defined benefit portion of their plan.*

PFC Subgroup Proposal

The PFC subgroup of the SCPP proposed a 6-year phase-in of projected employer and plan 2 member contribution rates. Additionally, a permanent contribution rate floor would be established at the completion of the 6-year phase-in period.

Proposed Employer Rates Under 6-Year Phase-In

Employer Rates With Phase-In

Period	PERS	TRS	SERS
2005-06	4.25%	5.00%	6.00%
2006-07	5.25%	6.75%	7.00%
2007-08	6.25%	8.75%	8.50%
2008-09	7.25%	10.75%	10.00%
2009-11	8.44%	12.73%	10.69%
Ultimate Rate*	9.47%	14.59%	11.71%

** The ultimate rate is the maximum projected employer contribution rate for the 25-year period.*

Employer Rates Without Phase-In

Period	PERS	TRS	SERS
2005-06	5.73%	6.74%	7.56%
2006-07	5.73%	6.74%	7.56%
2007-08	7.28%	10.15%	9.45%
2008-09	7.28%	10.15%	9.45%
2009-11	8.44%	12.73%	10.69%
Ultimate Rate*	9.11%	14.28%	11.37%

** The ultimate rate is the maximum projected employer contribution rate for the 25-year period.*

Proposed Plan 2 Member Rates Under 6-Year Phase-In

Plan 2 Member Rates With Phase-In

Period	PERS	TRS	SERS
2005-06	2.75%	2.00%	2.75%
2006-07	3.25%	2.75%	3.25%
2007-08	3.75%	3.50%	4.25%
2008-09	4.25%	4.25%	5.25%
2009-11	4.89%	5.01%	5.39%
Ultimate Rate*	5.35%	5.61%	5.83%

* The ultimate rate is the maximum projected member contribution rate for the 25-year period.

Plan 2 Member Rates Without Phase-In

Period	PERS	TRS	SERS
2005-06	3.38%	2.48%	3.51%
2006-07	3.38%	2.48%	3.51%
2007-08	4.27%	4.01%	4.68%
2008-09	4.27%	4.01%	4.68%
2009-11	4.89%	5.01%	5.39%
Ultimate Rate*	5.18%	5.53%	5.68%

* The ultimate rate is the maximum projected member contribution rate for the 25-year period.

Policy Analysis

The proposed phase-in of projected contribution rate increases would represent a temporary departure from existing funding policy and would require a statutory change to the existing funding policy defined under Chapter 41.45 RCW - Actuarial Funding of State Retirement Systems. Employer and plan 2 member contribution rates would drop below the amounts necessary to fully fund the plans 2/3 under the aggregate funding method during the phase-in period and then increase thereafter. Contributions to amortize the unfunded prior service costs in PERS 1 and TRS 1 during the phase-in period would also drop below the amounts that would otherwise be required and increase thereafter. The amortization date for the Plans 1, however, would remain unchanged.

This proposal is consistent with the existing policy that states that employer contribution rates should be predictable and remain a relatively constant proportion of future state budgets. This proposal would establish a fixed schedule of increasing contribution rates for a 6-year period, thereby increasing predictability, and would smooth out the impact of projected rate increases on future state and local government budgets. The addition of a permanent contribution rate floor at the completion of the phase-in period is also consistent with this policy – increasing the stability and predictability of future contribution rates.

This proposal is inconsistent with the existing policy to fund all Plan 2/3 benefits over the working lives of those members so that the cost of those benefits are paid by the taxpayers who receive the benefit of those members' service, and would be a first-time departure from this policy. The proposal would effectively borrow plan assets in the short-term as a means of financing a schedule of deferred rate increases during the phase-in period - without permanently modifying existing funding policy. This would result in short-term savings, followed by a long-term cost.

Estimated Fiscal Impact

Increase in Projected Funding Expenditures

<i>(\$ in millions)</i>	GF-S	Non GF-S (State)	Local Government	Total Employer
2005-07				
PERS	\$ (35.8)	\$ (59.0)	\$ (84.0)	\$ (178.8)
TRS	(66.4)	0.0	(13.6)	(80.0)
SERS	(18.4)	0.0	(16.3)	(34.7)
Total Employer	\$ (120.6)	\$ (59.0)	\$ (113.9)	\$ (293.5)
2007-09				
PERS	\$ (19.6)	\$ (32.4)	\$ (46.1)	\$ (98.1)
TRS	(36.5)	0.0	(7.5)	(44.0)
SERS	(3.2)	0.0	(2.9)	(6.1)
Total Employer	\$ (59.3)	\$ (32.4)	\$ (56.5)	\$ (148.2)

(\$ in millions)	GF-S	Non GF-S (State)	Local Government	Total Employer
2009-11*				
PERS	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
TRS	(4.0)	0.0	(0.8)	(4.8)
SERS	(0.5)	0.0	(0.4)	(0.9)
Total Employer	\$ (4.5)	\$ 0.0	\$ (1.2)	\$ (5.7)
25 Year				
PERS	\$ 73.1	\$ 120.7	\$ 171.9	\$ 365.7
TRS	143.0	0.0	29.3	172.3
SERS	35.2	0.0	31.2	66.4
Total Employer	\$ 251.3	\$ 120.7	\$ 232.4	\$ 604.3

*2007-09 rate increases for TRS and SERS are effective 9/1/2007 through 8/31/2009.

The proposed schedule of future rate increases should be adjusted for any significant divergence between actual and assumed experience - including the cost of any future benefit enhancements.

The estimated fiscal impact is based on the proposed schedule of rate increases presented in this paper. Costs were developed using the same membership data, methods, assets and assumptions as those used in preparing the September 30, 2002 actuarial valuation report and using preliminary contribution rates from the 2003 actuarial valuation. The cost of adding a permanent contribution rate floor is not reflected.

The proposed schedule of future rate increases was developed under an actuarial projection of assets and liabilities. The emerging costs of the affected systems will vary from what is displayed in this paper to the extent that actual experience differs from that projected under the current actuarial assumptions.

This proposal assumes a fixed schedule of increasing contribution rates and a permanent contribution rate floor at the completion of the phase-in period. However a current Legislature cannot obligate a future Legislature for contribution rate increases that would impact a future biennial budget. The proposed schedule of future contribution rate increases, if approved by the 2005 Legislature, could be amended by a future Legislature. If the minimum funding requirements set forth in the schedule were not honored by future Legislatures, the costs in the tables above could be understated.

Revised Proposal

The PFC subgroup directed the State Actuary to revise the original proposal to address the following concerns:

- The increases in the ultimate employer and member contribution rates by deferring contribution rate increases beyond the phase-in period; and
- The insufficient deferral of rate increases during the first year of the schedule for local government employers under PERS.

The revised proposal eliminates the increases in the ultimate employer and member rates by not deferring rate increases beyond the 4-year phase-in period. In other words, on a present value basis, the deferral of rate increases during the first biennium is offset by rate increases during the second biennium.

Additionally, the revised proposal provides a significant deferral of contribution rate increases for PERS employers and Plan 2 members during the first year of the proposed schedule. However, this significant deferral in year one is followed by significant increases during the third and fourth year of the schedule.

Proposed Employer Rates Under 4-Year Phase-In

Employer Rates With Phase-In

Period	PERS	TRS	SERS
2005-06	2.50%	5.46%	4.70%
2006-07	5.50%	7.21%	7.45%
2007-08	8.25%	9.57%	10.01%
2008-09	9.96%	11.62%	12.03%
2009-11	8.44%	12.73%	10.69%
Ultimate Rate*	9.11%	14.28%	11.37%

* The ultimate rate is the maximum projected employer contribution rate for the 25-year period.

Employer Rates Without Phase-In

Period	PERS	TRS	SERS
2005-06	5.73%	6.74%	7.56%
2006-07	5.73%	6.74%	7.56%
2007-08	7.28%	10.15%	9.45%
2008-09	7.28%	10.15%	9.45%
2009-11	8.44%	12.73%	10.69%
Ultimate Rate*	9.11%	14.28%	11.37%

* The ultimate rate is the maximum projected employer contribution rate for the 25-year period.

Proposed Plan 2 Member Rates Under 4-Year Phase-In

Plan 2 Member Rates With Phase-In

Period	PERS	TRS	SERS
2005-06	1.75%	1.75%	2.25%
2006-07	3.25%	2.75%	3.50%
2007-08	4.75%	3.75%	4.75%
2008-09	5.64%	4.77%	5.95%
2009-11	4.89%	5.01%	5.38%
Ultimate Rate*	5.18%	5.53%	5.68%

* The ultimate rate is the maximum projected member contribution rate for the 25-year period.

Plan 2 Member Rates Without Phase-In

Period	PERS	TRS	SERS
2005-06	3.38%	2.48%	3.51%
2006-07	3.38%	2.48%	3.51%
2007-08	4.27%	4.01%	4.68%
2008-09	4.27%	4.01%	4.68%
2009-11	4.89%	5.01%	5.38%
Ultimate Rate*	5.18%	5.53%	5.68%

* The ultimate rate is the maximum projected member contribution rate for the 25-year period.

Estimated Fiscal Impact - Revised Proposal

Increase in Projected Funding Expenditures

<i>(\$ in millions)</i>	GF-S	Non GF-S (State)	Local Government	Total Employer
2005-07				
PERS	\$ (55.9)	\$ (92.3)	\$ (131.5)	\$ (279.7)
TRS	(29.4)	0.0	(6.0)	(35.4)
SERS	(23.5)	0.0	(20.8)	(44.3)
Total Employer	\$ (108.8)	\$ (92.3)	\$ (158.3)	\$ (359.4)
2007-09				
PERS	\$ 68.6	\$ 113.2	\$ 161.3	\$ 343.1
TRS	27.6	0.0	5.7	33.3
SERS	24.3	0.0	21.5	45.8
Total Employer	\$ 120.5	\$ 113.2	\$ 188.5	\$ 422.2
2009-11*				
PERS	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
TRS	11.5	0.0	2.3	13.8
SERS	4.9	0.0	4.3	9.2
Total Employer	\$ 16.4	\$ 0.0	\$ 6.6	\$ 23.0
25 Year				
PERS	\$ 12.7	\$ 20.9	\$ 29.8	\$ 63.4
TRS	9.8	0.0	2.0	11.8
SERS	5.6	0.0	5.0	10.6
Total Employer	\$ 28.1	\$ 20.9	\$ 36.8	\$ 85.8

*2007-09 rate increases for TRS and SERS are effective 9/1/2007 through 8/31/2009.

Contribution Rate Floor

The PFC subgroup recommended the adoption of a permanent contribution rate floor at the completion of any phase-in period. The following proposed contribution rate floor is consistent with, and could serve as an alternative to, the recommendation provided under the previous committee issue paper "Contribution Rate Setting - July 2, 2004." The minimum Plan 2/3 normal cost rate would apply equally to both employers and Plan 2 employees, and once the Plan 1 UAAL is completely amortized, the Plan 2/3 normal cost would become the minimum contribution rate for employers as well.

Minimum Contribution Rates after June 30, 2009

System	Plan 2/3 Normal Cost	Plan 1 UAAL	Total Employer
PERS	4.00%	2.75%	6.75%
TRS	5.00%	5.75%	10.75%
SERS	4.25%	2.75%*	7.00%

* Contribution to the PERS 1 unfunded liability.

Executive Committee Recommendation

Staff was directed to prepare bill language for the November Executive Committee meeting and prepare additional fiscal analysis for the December meeting.

Bill (Draft)

Attached

1 AN ACT Relating to contribution rates for the public employees'
2 retirement system, the teachers' retirement system, the school
3 employees' retirement system, and the public safety employees'
4 retirement system; adding new sections to chapter 41.45 RCW;
5 decodifying RCW 41.45.054; providing effective dates; and declaring an
6 emergency.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 NEW SECTION. Sec. 1. A new section is added to chapter 41.45 RCW
9 to read as follows:

10 The basic employer and state contribution rates and required plan
11 2 member contribution rates are changed to reflect the 2003 actuarial
12 valuation and actuarial projections of the 2005 actuarial valuation,
13 both of which incorporate the 2002 actuarial experience study conducted
14 by the office of the state actuary for 1995-2000. This contribution
15 rate schedule departs from the normal biennial process for setting
16 contribution rates by requiring four annual increases in rates. The
17 rates are lower in the first two years than required by the 2003
18 actuarial valuation and higher in the second two years than required by
19 the projected 2005 actuarial valuation. Upon completion of the 2005

1 actuarial valuation, the pension funding council and the state actuary
2 shall review the appropriateness of the contribution rates for 2007-
3 2008 and 2008-2009 and by September 30, 2006, the pension funding
4 council shall recommend to the legislature any adjustments as may be
5 needed due to material changes in benefits or actuarial assumptions,
6 methods, or experience. This contribution rate schedule also requires
7 a departure from the allocation formula for contributions in RCW
8 41.45.050.

9 (1) Beginning July 1, 2005, the following employer contribution
10 rate shall be charged: 2.50 percent for the public employees'
11 retirement system, of which .50 percent shall be allocated to the
12 unfunded actuarial accrued liability for the public employees'
13 retirement system plan 1.

14 (2) Beginning September 1, 2005, the following employer
15 contribution rates shall be charged:

16 (a) 4.70 percent for the school employees' retirement system, of
17 which .50 percent shall be allocated to the unfunded actuarial accrued
18 liability for the public employees' retirement system plan 1; and

19 (b) 5.46 percent for the teachers' retirement system, of which 2.25
20 percent shall be allocated to the unfunded actuarial accrued liability
21 for the teachers' retirement system plan 1.

22 (3) Beginning July 1, 2005, the following member contribution rate
23 shall be charged: 1.75 percent for the public employees' retirement
24 system plan 2.

25 (4) Beginning September 1, 2005, the following member contribution
26 rates shall be charged:

27 (a) 2.25 percent for the school employees' retirement system plan
28 2; and

29 (b) 1.75 percent for the teachers' retirement system plan 2.

30 (5) The contribution rates in subsections (1) through (4) of this
31 section shall be collected through June 30, 2006, for the public
32 employees' retirement system, and August 31, 2006, for the school
33 employees' retirement system and the teachers' retirement system.

34 (6) Beginning July 1, 2006, the following employer contribution
35 rate shall be charged: 5.50 percent for the public employees'
36 retirement system, of which 2.00 percent shall be allocated to the
37 unfunded actuarial accrued liability for the public employees'
38 retirement system plan 1.

1 (7) Beginning September 1, 2006, the following employer
2 contribution rates shall be charged:

3 (a) 7.45 percent for the school employees' retirement system, of
4 which 2.00 percent shall be allocated to the unfunded actuarial accrued
5 liability for the public employees' retirement system plan 1; and

6 (b) 7.21 percent for the teachers' retirement system, of which 3.00
7 percent shall be allocated to the unfunded actuarial accrued liability
8 for the teachers' retirement system plan 1.

9 (8) Beginning July 1, 2006, the following member contribution rate
10 shall be charged: 3.25 percent for the public employees' retirement
11 system plan 2.

12 (9) Beginning September 1, 2006, the following member contribution
13 rates shall be charged:

14 (a) 3.50 percent for the school employees' retirement system plan
15 2; and

16 (b) 2.75 percent for the teachers' retirement system plan 2.

17 (10) The contribution rates in subsections (6) through (9) of this
18 section shall be collected through June 30, 2007, for the public
19 employees' retirement system, and August 31, 2007, for the school
20 employees' retirement system and the teachers' retirement system.

21 (11) Beginning July 1, 2007, the following employer contribution
22 rate shall be charged: 8.25 percent for the public employees'
23 retirement system, of which 3.25 percent shall be allocated to the
24 unfunded actuarial accrued liability of the public employees'
25 retirement system plan 1.

26 (12) Beginning September 1, 2007, the following employer
27 contribution rates shall be charged:

28 (a) 10.01 percent for the school employees' retirement system, of
29 which 3.25 percent shall be allocated to the unfunded actuarial accrued
30 liability of the public employees' retirement system plan 1; and

31 (b) 9.57 percent for the teachers' retirement system, of which 4.45
32 percent shall be allocated to the unfunded actuarial accrued liability
33 of the teachers' retirement system plan 1.

34 (13) Beginning July 1, 2007, the following member contribution rate
35 shall be charged: 4.75 percent for the public employees' retirement
36 system plan 2.

37 (14) Beginning September 1, 2007, the following member contribution
38 rates shall be charged:

(a) 4.75 percent for the school employees' retirement system plan 2; and

(b) 3.75 percent for the teachers' retirement system plan 2.

(15) The contribution rates in subsections (11) through (14) of this section shall be collected through June 30, 2008, for the public employees' retirement system, and August 31, 2008, for the school employees' retirement system and the teachers' retirement system.

(16) Beginning July 1, 2008, the following employer contribution rate shall be charged: 9.96 percent for the public employees' retirement system, of which 4.07 percent shall be allocated to the unfunded actuarial accrued liability of the public employees' retirement system plan 1.

(17) Beginning September 1, 2008, the following employer contribution rates shall be charged:

(a) 12.03 percent for the school employees' retirement system, of which 4.07 percent shall be allocated to the unfunded actuarial accrued liability of the public employees' retirement system plan 1; and

(b) 11.62 percent for the teachers' retirement system, of which 5.48 percent shall be allocated to the unfunded actuarial accrued liability of the teachers' retirement system plan 1.

(18) Beginning July 1, 2008, the following member contribution rate shall be charged: 5.64 percent for the public employees' retirement system plan 2.

(19) Beginning September 1, 2008, the following member contribution rates shall be charged:

(a) 5.95 percent for the school employees' retirement system plan 2; and

(b) 4.77 percent for the teachers' retirement system plan 2.

(20) The contribution rates in subsections (16) through (19) of this section shall be collected through June 30, 2009, for the public employees' retirement system, and August 31, 2009, for the school employees' retirement system and the teachers' retirement system.

NEW SECTION. **Sec. 2.** A new section is added to chapter 41.45 RCW to read as follows:

Beginning July 1, 2009, for the public employees' retirement system and the public safety employees' retirement system, and September 1, 2009, for the school employees' retirement system and the teachers'

retirement system, minimum basic employer and state contribution rates and minimum required plan 2 member contribution rates are established. In establishing these minimum rates, it is the intent of the legislature to promote contribution rate stability over time. The basic employer and state contribution rates and required plan 2 member contribution rates as recommended by the pension funding council and adopted by the legislature may exceed, but shall not drop below, these minimum rates. Upon completion of each biennial actuarial valuation, the pension funding council and the state actuary shall review the appropriateness of the minimum contribution rates and the pension funding council shall recommend to the legislature any adjustments as may be needed due to material changes in benefits or actuarial assumptions, methods, or experience.

(1) Beginning July 1, 2009, the following minimum employer contribution rate shall be charged: 4.00 percent for the public employees' retirement system.

(2) Beginning September 1, 2009, the following minimum employer contribution rates shall be charged:

(a) 4.25 percent for the school employees' retirement system; and

(b) 5.00 percent for the teachers' retirement system.

(3) Beginning July 1, 2009, the following minimum member contribution rate shall be charged: 4.00 percent for the public employees' retirement system plan 2.

(4) Beginning September 1, 2009, the following minimum member contribution rates shall be charged:

(a) 4.25 percent for the school employees' retirement system plan 2; and

(b) 5.00 percent for the teachers' retirement system plan 2.

(5) Beginning July 1, 2009, an additional minimum 2.75 percent is added to the minimum employer contribution rate of 4.00 percent for the public employees' retirement system until the actuarial value of assets equals one hundred twenty-five percent of the actuarial accrued liability for the public employees' retirement system plan 1 or June 30, 2024, whichever comes first.

(6) Beginning July 1, 2009, an additional minimum 2.75 percent is added to the basic employer contribution rate for the public safety employees' retirement system until the actuarial value of public employees' retirement system plan 1 assets equals one hundred

1 twenty-five percent of the actuarial accrued liability for the public
2 employees' retirement system plan 1 or June 30, 2024, whichever comes
3 first.

4 (7) Beginning September 1, 2009, an additional minimum 2.75 percent
5 is added to the minimum employer contribution rate of 4.25 percent for
6 the school employees' retirement system until the actuarial value of
7 public employees' retirement system plan 1 assets equals one hundred
8 twenty-five percent of the actuarial accrued liability for the public
9 employees' retirement system plan 1 or June 30, 2024, whichever comes
10 first.

11 (8) Beginning September 1, 2009, an additional 5.75 percent is
12 added to the minimum employer contribution rate of 5.00 percent for the
13 teachers' retirement system until the actuarial value of assets equals
14 one hundred twenty-five percent of the actuarial accrued liability for
15 the teachers' retirement system plan 1 or June 30, 2024, whichever
16 comes first.

17 NEW SECTION. Sec. 3. RCW 41.45.054 is decodified, effective
18 September 1, 2005.

19 NEW SECTION. Sec. 4. Section 1 of this act is necessary for the
20 immediate preservation of the public peace, health, or safety, or
21 support of the state government and its existing public institutions,
22 and takes effect July 1, 2005.

23 NEW SECTION. Sec. 5. Section 2 of this act takes effect July 1,
24 2009.

--- END ---

1 AN ACT Relating to removing the cap on retirement benefits of
2 members of the law enforcement officers' and fire fighters' retirement
3 system plan 1; and amending RCW 41.26.100.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 41.26.100 and 1991 c 343 s 16 are each amended to read
6 as follows:

7 A member upon retirement for service shall receive a monthly
8 retirement allowance computed according to his or her completed
9 creditable service credit years of service as follows: Five years but
10 under ten years, one-twelfth of one percent of his or her final average
11 salary for each month of service; ten years but under twenty years,
12 one-twelfth of one and one-half percent of his or her final average
13 salary for each month of service; and twenty years and over one-twelfth
14 of two percent of his or her final average salary for each month of
15 service: PROVIDED, That the recipient of a retirement allowance who
16 shall return to service as a law enforcement officer or fire fighter
17 shall be considered to have terminated his or her retirement status and
18 he or she shall immediately become a member of the retirement system
19 with the status of membership he or she had as of the date of

1 retirement. Retirement benefits shall be suspended during the period
2 of his or her return to service and he or she shall make contributions
3 and receive service credit. Such a member shall have the right to
4 again retire at any time and his or her retirement allowance shall be
5 recomputed, and paid, based upon additional service rendered and any
6 change in final average salary(~~(+ PROVIDED FURTHER, That no retirement~~
7 ~~allowance paid pursuant to this section shall exceed sixty percent of~~
8 ~~final average salary, except as such allowance may be increased by~~
9 ~~virtue of RCW 41.26.240, as now or hereafter amended)~~).

--- END ---

Select Committee on Pension Policy

LEOFF 1 Ex-spouse Survivor Benefits

(October 27, 2004)

Issue	Benefits to many ex-spouses of LEOFF 1 members may cease after the member's death.
Staff	Robert Wm. Baker, Senior Research Analyst (360) 586-9237
Members Impacted	As of the 2003 valuation, there were 991 active members, 6,870 retirees, and 1,184 survivors in LEOFF 1. Ex-spouses who may be pre-deceased or have been pre-deceased by members would be impacted, however that number is unknown; there is no administrative data source that tracks ex-spouses.
Current Situation	<p>Under the most recent legislation, ex-spouses of LEOFF 1 members may qualify for survivor benefits if they divorced prior to the member's separation from service and entered into a court order or court approved property settlement after July 1, 2003. In such an instance, the ex-spouse may be awarded a portion of the member's benefit and survivor benefit if that benefit is so designated in the order or settlement.</p> <p>Earlier provisions in LEOFF 1 required ex-spouses to meet stringent criteria to be eligible for survivor benefits. Prior to 1980, ex-spouses could only qualify if they had been married to the member for 30 years, 20 of which were before the member retired. More recently, an ex-spouse could qualify for survivor benefits if the</p>

member had 30 years of service and they had been married at least 25 years. Outside of those parameters, the benefit for a spouse who divorced and entered into a property settlement prior to July 1, 2003 will cease upon the death of the member.

Policy Analysis

The recent expansion of benefits in LEOFF 1 allowing ex-spouses to receive survivor benefits established new policy in this area. Earlier retroactive remedies for ex-spouse survivor benefits were narrowly constructed, and benefitted very few individuals. As a result, earlier policies and statutes that govern the benefits of members who divorced and entered into a property settlement before July 1, 2003 are in conflict with the more current policy. Adding to the complexity of the issue is the difficulty of retroactively modifying court-approved property settlements, particularly after the death of one of the principals.

Fiscal Impact

Any retroactive remedy that resumes an allowance that had been stopped would be a cost to the plan. No cost estimate is available at this time.

Stakeholder Input

Senator Bob Morton
7th Legislative District
See attached correspondence



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Washington State Senate

Senator Bob Morton
7th Legislative District

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May 19, 2004

Dear Members of the Select Committee on Pension Policy:

During this past session, I was contacted by a former constituent, Sandra White, who is in dire financial circumstances because of the application of a survivor benefit statute. I would like to request that the Select Committee on Pension Policy ("SCPP") consider legislation that would remedy Ms. White's unfortunate plight.

Enclosed is Ms. White's correspondence, and following is a summary of her issue in the hope that the SCPP will find this useful in its consideration of this matter:

Issue

Ms. White was married to a LEOFF 1 member for 41 years. They divorced in 2000, some four years after he retired. The court order entitled her to half of his retirement benefit. Mr. White died one month after the divorce, thereby terminating Ms. White's retirement allowance. As a homemaker for all the years of their marriage, Ms. White has little money now.

2002 Legislative Change: Survivor Benefit for Ex-Spouses of LEOFF 1 Members

In the 2002 session, the legislature passed ESB 6380 which, among other things, granted a survivor benefit to ex-spouses of LEOFF 1 members, provided certain criteria were met.

The criteria included: (a) the member must have had 30 years of service, (b) the parties must have been married at least 25 years, and (c) the parties must have entered into a court-approved property settlement agreement awarding a portion of the member's benefits to the ex-spouse after June 13, 2002.

Under the bill as passed, Ms. White did not qualify for a survivor benefit. Her husband had 29 years & 10 months of service, not 30 years. And the court order entitling her to half of his retirement was entered in 2000, not after June 13, 2002.

Options to Solve Ms. White's Situation

There are several ways in which Ms. White's situation could be remedied and a survivor benefit could be obtained. Most notably, SB 6380 as it passed the Senate in 2002 would have solved Ms. White's problem, as it did not have the thirty year member requirement nor the time restriction on when the court order was entered into. Had that version not been subsequently amended, Ms. White would be receiving benefits now. I would ask the committee to consider this, or another alternative, as a solution to Ms. White's problem.

Thank you for your consideration.

Cordially yours,

A handwritten signature in black ink that appears to read "Bob".

BOB MORTON
State Senator

Enclosure

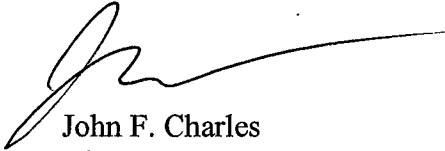
cc: Matthew Smith ✓

Senator Karen Fraser
Representative Steve Conway
October 28, 2004
Page 2

As noted above, the death and disability proposals are in alignment with Federal and State law and the existing policy and process for purchasing interruptive military service. However, allowing service to be earned due to reporting offset pay goes beyond the current policy and creates inequity in the treatment of members. Based on this information I encourage the removal of the reporting of offset salary from the proposal.

Please contact me at 664-7312 if you would like to discuss this issue.

Sincerely,

A handwritten signature in black ink, appearing to be "John F. Charles", with a long horizontal flourish extending to the right.

John F. Charles
Director

1 AN ACT Relating to interruptive military service credit within the
2 public employees' retirement system, the school employees' retirement
3 system, the teachers' retirement system, the law enforcement officers'
4 and fire fighters' retirement system plan 2, the Washington state
5 patrol retirement system, and the public safety employees' retirement
6 system; amending RCW 41.40.170, 41.40.710, 41.40.805, 41.35.470,
7 41.35.650, 41.32.260, 41.32.810, 41.32.865, 41.26.520, 43.43.260, and
8 41.37.260; and providing an effective date.

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

10 **Sec. 1.** RCW 41.40.170 and 2002 c 27 s 2 are each amended to read
11 as follows:

12 (1) A member who has served or shall serve on active federal
13 service in the military or naval forces of the United States and who
14 left or shall leave an employer to enter such service shall be deemed
15 to be on military leave of absence if he or she has resumed or shall
16 resume employment as an employee within one year from termination
17 thereof.

18 (2) If he or she has applied or shall apply for reinstatement of
19 employment, within one year from termination of the military service,

1 and is refused employment for reasons beyond his or her control, he or
2 she shall, upon resumption of service within ten years have such
3 service credited to him or her.

4 (3) In any event, after completing twenty-five years of creditable
5 service, any member may have service in the armed forces credited to
6 him or her as a member whether or not he or she left the employ of an
7 employer to enter the armed service: PROVIDED, That in no instance,
8 described in this section, shall military service in excess of five
9 years be credited: AND PROVIDED FURTHER, That in each instance the
10 member must restore all withdrawn accumulated contributions, which
11 restoration must be completed within five years of membership service
12 following the first resumption of employment or complete twenty-five
13 years of creditable service: AND PROVIDED FURTHER, That this section
14 will not apply to any individual, not a veteran within the meaning of
15 RCW 41.04.005.

16 (4) The surviving spouse or eligible child or children of a member
17 who left the employ of an employer to enter the uniformed services of
18 the United States and died while serving in the uniformed services may,
19 on behalf of the deceased member, apply for retirement system service
20 credit under this subsection up to the date of the member's death in
21 the uniformed services. The department shall establish the deceased
22 member's service credit if the surviving spouse or eligible child or
23 children:

24 (a) Provides to the director proof of the member's death while
25 serving in the uniformed services; and

26 (b) Provides to the director proof of the member's honorable
27 service in the uniformed services prior to the date of death.

28 (5) A member who leaves the employ of an employer to enter the
29 uniformed services of the United States and becomes totally
30 incapacitated for continued employment by an employer while serving in
31 the uniformed services is entitled to retirement system service credit
32 under this subsection up to the date of discharge from the uniformed
33 services if:

34 (a) The member obtains a determination from the director that he or
35 she is totally incapacitated for continued employment due to conditions
36 or events that occurred while serving in the uniformed services; and

37 (b) The member provides to the director proof of honorable
38 discharge from the uniformed services.

1 **Sec. 2.** RCW 41.40.710 and 2000 c 247 s 1106 are each amended to
2 read as follows:

3 (1) A member who is on a paid leave of absence authorized by a
4 member's employer shall continue to receive service credit as provided
5 for under the provisions of RCW 41.40.610 through 41.40.740.

6 (2) A member who receives compensation from an employer while on an
7 authorized leave of absence to serve as an elected official of a labor
8 organization, and whose employer is reimbursed by the labor
9 organization for the compensation paid to the member during the period
10 of absence, may also be considered to be on a paid leave of absence.
11 This subsection shall only apply if the member's leave of absence is
12 authorized by a collective bargaining agreement that provides that the
13 member retains seniority rights with the employer during the period of
14 leave. The compensation earnable reported for a member who establishes
15 service credit under this subsection may not be greater than the salary
16 paid to the highest paid job class covered by the collective bargaining
17 agreement.

18 (3) Except as specified in subsection (4) of this section, a member
19 shall be eligible to receive a maximum of two years service credit
20 during a member's entire working career for those periods when a member
21 is on an unpaid leave of absence authorized by an employer. Such
22 credit may be obtained only if:

23 (a) The member makes both the plan 2 employer and member
24 contributions plus interest as determined by the department for the
25 period of the authorized leave of absence within five years of
26 resumption of service or prior to retirement whichever comes sooner; or

27 (b) If not within five years of resumption of service but prior to
28 retirement, pay the amount required under RCW 41.50.165(2).

29 The contributions required under (a) of this subsection shall be
30 based on the average of the member's compensation earnable at both the
31 time the authorized leave of absence was granted and the time the
32 member resumed employment.

33 (4) A member who leaves the employ of an employer to enter the
34 (~~(armed forces)~~) uniformed services of the United States shall be
35 entitled to retirement system service credit for up to five years of
36 military service. This subsection shall be administered in a manner
37 consistent with the requirements of the federal uniformed services
38 employment and reemployment rights act.

1 (a) The member qualifies for service credit under this subsection
2 if:

3 (i) Within ninety days of the member's honorable discharge from the
4 uniformed services of the United States ((armed forces)), the member
5 applies for reemployment with the employer who employed the member
6 immediately prior to the member entering the ((United States armed
7 forces)) uniformed services; and

8 (ii) The member makes the employee contributions required under RCW
9 41.45.061 and 41.45.067 within five years of resumption of service or
10 prior to retirement, whichever comes sooner; or

11 (iii) Prior to retirement and not within ninety days of the
12 member's honorable discharge or five years of resumption of service the
13 member pays the amount required under RCW 41.50.165(2).

14 (b) Upon receipt of member contributions under (a)(ii), (d)(iii),
15 or (e)(iii) of this subsection, the department shall establish the
16 member's service credit and shall bill the employer for its
17 contribution required under RCW 41.45.060, 41.45.061, and 41.45.067 for
18 the period of military service, plus interest as determined by the
19 department.

20 (c) The contributions required under (a)(ii), (d)(iii), or (e)(iii)
21 of this subsection shall be based on the compensation the member would
22 have earned if not on leave, or if that cannot be estimated with
23 reasonable certainty, the compensation reported for the member in the
24 year prior to when the member went on military leave.

25 (d) The surviving spouse or eligible child or children of a member
26 who left the employ of an employer to enter the uniformed services of
27 the United States and died while serving in the uniformed services may,
28 on behalf of the deceased member, apply for retirement system service
29 credit under this subsection up to the date of the member's death in
30 the uniformed services. The department shall establish the deceased
31 member's service credit if the surviving spouse or eligible child or
32 children:

33 (i) Provides to the director proof of the member's death while
34 serving in the uniformed services;

35 (ii) Provides to the director proof of the member's honorable
36 service in the uniformed services prior to the date of death; and

37 (iii) Pays the employee contributions required under chapter 41.45

1 RCW within five years of the date of death or prior to the distribution
2 of any benefit, whichever comes first.

3 (e) A member who leaves the employ of an employer to enter the
4 uniformed services of the United States and becomes totally
5 incapacitated for continued employment by an employer while serving in
6 the uniformed services is entitled to retirement system service credit
7 under this subsection up to the date of discharge from the uniformed
8 services if:

9 (i) The member obtains a determination from the director that he or
10 she is totally incapacitated for continued employment due to conditions
11 or events that occurred while serving in the uniformed services;

12 (ii) The member provides to the director proof of honorable
13 discharge from the uniformed services; and

14 (iii) The member pays the employee contributions required under
15 chapter 41.45 RCW within five years of the director's determination of
16 total disability or prior to the distribution of any benefit, whichever
17 comes first.

18 **Sec. 3.** RCW 41.40.805 and 2000 c 247 s 306 are each amended to
19 read as follows:

20 (1) A member who is on a paid leave of absence authorized by a
21 member's employer shall continue to receive service credit.

22 (2) A member who receives compensation from an employer while on an
23 authorized leave of absence to serve as an elected official of a labor
24 organization, and whose employer is reimbursed by the labor
25 organization for the compensation paid to the member during the period
26 of absence, may also be considered to be on a paid leave of absence.
27 This subsection shall only apply if the member's leave of absence is
28 authorized by a collective bargaining agreement that provides that the
29 member retains seniority rights with the employer during the period of
30 leave. The earnable compensation reported for a member who establishes
31 service credit under this subsection may not be greater than the salary
32 paid to the highest paid job class covered by the collective bargaining
33 agreement.

34 (3) Except as specified in subsection (4) of this section, a member
35 shall be eligible to receive a maximum of two years service credit
36 during a member's entire working career for those periods when a member

1 is on an unpaid leave of absence authorized by an employer. Such
2 credit may be obtained only if:

3 (a) The member makes the contribution on behalf of the employer,
4 plus interest, as determined by the department; and

5 (b) The member makes the employee contribution, plus interest, as
6 determined by the department, to the defined contribution portion.

7 The contributions required shall be based on the average of the
8 member's earnable compensation at both the time the authorized leave of
9 absence was granted and the time the member resumed employment.

10 (4) A member who leaves the employ of an employer to enter the
11 (~~((armed forces))~~) uniformed services of the United States shall be
12 entitled to retirement system service credit for up to five years of
13 military service if within ninety days of the member's honorable
14 discharge from the uniformed services of the United States (~~((armed~~
15 ~~forces))~~), the member applies for reemployment with the employer who
16 employed the member immediately prior to the member entering the
17 (~~((United States armed forces))~~) uniformed services. This subsection
18 shall be administered in a manner consistent with the requirements of
19 the federal uniformed services employment and reemployment rights act.

20 The department shall establish the member's service credit and
21 shall bill the employer for its contribution required under RCW
22 41.45.060 and 41.45.067 for the period of military service, plus
23 interest as determined by the department. Service credit under this
24 subsection may be obtained only if the member makes the employee
25 contribution to the defined contribution portion as determined by the
26 department.

27 The contributions required shall be based on the compensation the
28 member would have earned if not on leave, or if that cannot be
29 estimated with reasonable certainty, the compensation reported for the
30 member in the year prior to when the member went on military leave.

31 (a) The surviving spouse or eligible child or children of a member
32 who left the employ of an employer to enter the uniformed services of
33 the United States and died while serving in the uniformed services may,
34 on behalf of the deceased member, apply for retirement system service
35 credit under this subsection up to the date of the member's death in
36 the uniformed services. The department shall establish the deceased
37 member's service credit if the surviving spouse or eligible child or
38 children:

1 (i) Provides to the director proof of the member's death while
2 serving in the uniformed services;

3 (ii) Provides to the director proof of the member's honorable
4 service in the uniformed services prior to the date of death; and

5 (iii) Pays the employee contributions required under this
6 subsection within five years of the date of death or prior to the
7 distribution of any benefit, whichever comes first.

8 (b) A member who leaves the employ of an employer to enter the
9 uniformed services of the United States and becomes totally
10 incapacitated for continued employment by an employer while serving in
11 the uniformed services is entitled to retirement system service credit
12 under this subsection up to the date of discharge from the uniformed
13 services if:

14 (i) The member obtains a determination from the director that he or
15 she is totally incapacitated for continued employment due to conditions
16 or events that occurred while serving in the uniformed services;

17 (ii) The member provides to the director proof of honorable
18 discharge from the uniformed services; and

19 (iii) The member pays the employee contributions required under
20 this subsection within five years of the director's determination of
21 total disability or prior to the distribution of any benefit, whichever
22 comes first.

23 **Sec. 4.** RCW 41.35.470 and 1998 c 341 s 108 are each amended to
24 read as follows:

25 (1) A member who is on a paid leave of absence authorized by a
26 member's employer shall continue to receive service credit as provided
27 for under the provisions of RCW 41.35.400 through 41.35.599.

28 (2) A member who receives compensation from an employer while on an
29 authorized leave of absence to serve as an elected official of a labor
30 organization, and whose employer is reimbursed by the labor
31 organization for the compensation paid to the member during the period
32 of absence, may also be considered to be on a paid leave of absence.
33 This subsection shall only apply if the member's leave of absence is
34 authorized by a collective bargaining agreement that provides that the
35 member retains seniority rights with the employer during the period of
36 leave. The compensation earnable reported for a member who establishes

1 service credit under this subsection may not be greater than the salary
2 paid to the highest paid job class covered by the collective bargaining
3 agreement.

4 (3) Except as specified in subsection (4) of this section, a member
5 shall be eligible to receive a maximum of two years service credit
6 during a member's entire working career for those periods when a member
7 is on an unpaid leave of absence authorized by an employer. Such
8 credit may be obtained only if:

9 (a) The member makes both the plan 2 employer and member
10 contributions plus interest as determined by the department for the
11 period of the authorized leave of absence within five years of
12 resumption of service or prior to retirement whichever comes sooner; or

13 (b) If not within five years of resumption of service but prior to
14 retirement, pay the amount required under RCW 41.50.165(2).

15 The contributions required under (a) of this subsection shall be
16 based on the average of the member's compensation earnable at both the
17 time the authorized leave of absence was granted and the time the
18 member resumed employment.

19 (4) A member who leaves the employ of an employer to enter the
20 (~~((armed forces))~~) uniformed services of the United States shall be
21 entitled to retirement system service credit for up to five years of
22 military service. This subsection shall be administered in a manner
23 consistent with the requirements of the federal uniformed services
24 employment and reemployment rights act.

25 (a) The member qualifies for service credit under this subsection
26 if:

27 (i) Within ninety days of the member's honorable discharge from the
28 uniformed services of the United States (~~((armed forces))~~), the member
29 applies for reemployment with the employer who employed the member
30 immediately prior to the member entering the (~~((United States armed~~
31 ~~forces))~~) uniformed services; and

32 (ii) The member makes the employee contributions required under RCW
33 41.35.430 within five years of resumption of service or prior to
34 retirement, whichever comes sooner; or

35 (iii) Prior to retirement and not within ninety days of the
36 member's honorable discharge or five years of resumption of service the
37 member pays the amount required under RCW 41.50.165(2).

1 (b) Upon receipt of member contributions under (a)(ii), (d)(iii),
2 or (e)(iii) of this subsection, the department shall establish the
3 member's service credit and shall bill the employer for its
4 contribution required under RCW 41.35.430 for the period of military
5 service, plus interest as determined by the department.

6 (c) The contributions required under (a)(ii), (d)(iii), or (e)(iii)
7 of this subsection shall be based on the compensation the member would
8 have earned if not on leave, or if that cannot be estimated with
9 reasonable certainty, the compensation reported for the member in the
10 year prior to when the member went on military leave.

11 (d) The surviving spouse or eligible child or children of a member
12 who left the employ of an employer to enter the uniformed services of
13 the United States and died while serving in the uniformed services may,
14 on behalf of the deceased member, apply for retirement system service
15 credit under this subsection up to the date of the member's death in
16 the uniformed services. The department shall establish the deceased
17 member's service credit if the surviving spouse or eligible child or
18 children:

19 (i) Provides to the director proof of the member's death while
20 serving in the uniformed services;

21 (ii) Provides to the director proof of the member's honorable
22 service in the uniformed services prior to the date of death; and

23 (iii) Pays the employee contributions required under chapter 41.45
24 RCW within five years of the date of death or prior to the distribution
25 of any benefit, whichever comes first.

26 (e) A member who leaves the employ of an employer to enter the
27 uniformed services of the United States and becomes totally
28 incapacitated for continued employment by an employer while serving in
29 the uniformed services is entitled to retirement system service credit
30 under this subsection up to the date of discharge from the uniformed
31 services if:

32 (i) The member obtains a determination from the director that he or
33 she is totally incapacitated for continued employment due to conditions
34 or events that occurred while serving in the uniformed services;

35 (ii) The member provides to the director proof of honorable
36 discharge from the uniformed services; and

37 (iii) The member pays the employee contributions required under

1 chapter 41.45 RCW within five years of the director's determination of
2 total disability or prior to the distribution of any benefit, whichever
3 comes first.

4 **Sec. 5.** RCW 41.35.650 and 1998 c 341 s 206 are each amended to
5 read as follows:

6 (1) A member who is on a paid leave of absence authorized by a
7 member's employer shall continue to receive service credit.

8 (2) A member who receives compensation from an employer while on an
9 authorized leave of absence to serve as an elected official of a labor
10 organization, and whose employer is reimbursed by the labor
11 organization for the compensation paid to the member during the period
12 of absence, may also be considered to be on a paid leave of absence.
13 This subsection shall only apply if the member's leave of absence is
14 authorized by a collective bargaining agreement that provides that the
15 member retains seniority rights with the employer during the period of
16 leave. The earnable compensation reported for a member who establishes
17 service credit under this subsection may not be greater than the salary
18 paid to the highest paid job class covered by the collective bargaining
19 agreement.

20 (3) Except as specified in subsection (4) of this section, a member
21 shall be eligible to receive a maximum of two years service credit
22 during a member's entire working career for those periods when a member
23 is on an unpaid leave of absence authorized by an employer. Such
24 credit may be obtained only if:

25 (a) The member makes the contribution on behalf of the employer,
26 plus interest, as determined by the department; and

27 (b) The member makes the employee contribution, plus interest, as
28 determined by the department, to the defined contribution portion.

29 The contributions required shall be based on the average of the
30 member's earnable compensation at both the time the authorized leave of
31 absence was granted and the time the member resumed employment.

32 (4) A member who leaves the employ of an employer to enter the
33 ~~((armed forces))~~ uniformed services of the United States shall be
34 entitled to retirement system service credit for up to five years of
35 military service if within ninety days of the member's honorable
36 discharge from the uniformed services of the United States ~~((armed~~
37 ~~forces))~~, the member applies for reemployment with the employer who

1 employed the member immediately prior to the member entering the
2 (~~United States armed forces~~) uniformed services. This subsection
3 shall be administered in a manner consistent with the requirements of
4 the federal uniformed services employment and reemployment rights act.

5 The department shall establish the member's service credit and
6 shall bill the employer for its contribution required under RCW
7 41.35.720 for the period of military service, plus interest as
8 determined by the department. Service credit under this subsection may
9 be obtained only if the member makes the employee contribution to the
10 defined contribution portion as determined by the department.

11 The contributions required shall be based on the compensation the
12 member would have earned if not on leave, or if that cannot be
13 estimated with reasonable certainty, the compensation reported for the
14 member in the year prior to when the member went on military leave.

15 (a) The surviving spouse or eligible child or children of a member
16 who left the employ of an employer to enter the uniformed services of
17 the United States and died while serving in the uniformed services may,
18 on behalf of the deceased member, apply for retirement system service
19 credit under this subsection up to the date of the member's death in
20 the uniformed services. The department shall establish the deceased
21 member's service credit if the surviving spouse or eligible child or
22 children:

23 (i) Provides to the director proof of the member's death while
24 serving in the uniformed services;

25 (ii) Provides to the director proof of the member's honorable
26 service in the uniformed services prior to the date of death; and

27 (iii) Pays the employee contributions required under this
28 subsection within five years of the date of death or prior to the
29 distribution of any benefit, whichever comes first.

30 (b) A member who leaves the employ of an employer to enter the
31 uniformed services of the United States and becomes totally
32 incapacitated for continued employment by an employer while serving in
33 the uniformed services is entitled to retirement system service credit
34 under this subsection up to the date of discharge from the uniformed
35 services if:

36 (i) The member obtains a determination from the director that he or
37 she is totally incapacitated for continued employment due to conditions
38 or events that occurred while serving in the uniformed services;

1 (ii) The member provides to the director proof of honorable
2 discharge from the uniformed services; and

3 (iii) The member pays the employee contributions required under
4 this subsection within five years of the director's determination of
5 total disability or prior to the distribution of any benefit, whichever
6 comes first.

7 **Sec. 6.** RCW 41.32.260 and 1992 c 212 s 8 are each amended to read
8 as follows:

9 Any member whose public school service is interrupted by active
10 service to the United States as a member of its (~~military, naval or~~
11 ~~air service~~) uniformed services, or to the state of Washington, as a
12 member of the legislature, may upon becoming reemployed in the public
13 schools, receive credit for that service upon presenting satisfactory
14 proof, and contributing to the member reserve, either in a lump sum or
15 installments, amounts determined by the director. Except that no
16 military service credit in excess of five years shall be established or
17 reestablished after July 1, 1961, unless the service was actually
18 rendered during time of war. This section shall be administered in a
19 manner consistent with the requirements of the federal uniformed
20 services employment and reemployment rights act.

21 (1) The surviving spouse or eligible child or children of a member
22 who left the employ of an employer to enter the uniformed services of
23 the United States and died while serving in the uniformed services may,
24 on behalf of the deceased member, apply for retirement system service
25 credit under this subsection up to the date of the member's death in
26 the uniformed services. The department shall establish the deceased
27 member's service credit if the surviving spouse or eligible child or
28 children:

29 (a) Provides to the director proof of the member's death while
30 serving in the uniformed services;

31 (b) Provides to the director proof of the member's honorable
32 service in the uniformed services prior to the date of death; and

33 (c) Pays the employee contributions required under chapter 41.45
34 RCW within five years of the date of death or prior to the distribution
35 of any benefit, whichever comes first.

36 (2) A member who leaves the employ of an employer to enter the
37 uniformed services of the United States and becomes totally

1 incapacitated for continued employment by an employer while serving in
2 the uniformed services is entitled to retirement system service credit
3 under this subsection up to the date of discharge from the uniformed
4 services if:

5 (a) The member obtains a determination from the director that he or
6 she is totally incapacitated for continued employment due to conditions
7 or events that occurred while serving in the uniformed services;

8 (b) The member provides to the director proof of honorable
9 discharge from the uniformed services; and

10 (c) The member pays the employee contributions required under
11 chapter 41.45 RCW within five years of the director's determination of
12 total disability or prior to the distribution of any benefit, whichever
13 comes first.

14 **Sec. 7.** RCW 41.32.810 and 1996 c 61 s 2 are each amended to read
15 as follows:

16 (1) A member who is on a paid leave of absence authorized by a
17 member's employer shall continue to receive service credit as provided
18 for under the provisions of RCW 41.32.755 through 41.32.825.

19 (2) A member who receives compensation from an employer while on an
20 authorized leave of absence to serve as an elected official of a labor
21 organization, and whose employer is reimbursed by the labor
22 organization for the compensation paid to the member during the period
23 of absence, may also be considered to be on a paid leave of absence.
24 This subsection shall only apply if the member's leave of absence is
25 authorized by a collective bargaining agreement that provides that the
26 member retains seniority rights with the employer during the period of
27 leave. The earnable compensation reported for a member who establishes
28 service credit under this subsection may not be greater than the salary
29 paid to the highest paid job class covered by the collective bargaining
30 agreement.

31 (3) Except as specified in subsection (6) of this section, a member
32 shall be eligible to receive a maximum of two years service credit
33 during a member's entire working career for those periods when a member
34 is on an unpaid leave of absence authorized by an employer. Such
35 credit may be obtained only if the member makes both the employer and
36 member contributions plus interest as determined by the department for

1 the period of the authorized leave of absence within five years of
2 resumption of service or prior to retirement whichever comes sooner.

3 (4) If a member fails to meet the time limitations of subsection
4 (3) of this section, the member may receive a maximum of two years of
5 service credit during a member's working career for those periods when
6 a member is on unpaid leave of absence authorized by an employer. This
7 may be done by paying the amount required under RCW 41.50.165(2) prior
8 to retirement.

9 (5) For the purpose of subsection (3) of this section, the
10 contribution shall not include the contribution for the unfunded
11 supplemental present value as required by RCW 41.32.775. The
12 contributions required shall be based on the average of the member's
13 earnable compensation at both the time the authorized leave of absence
14 was granted and the time the member resumed employment.

15 (6) A member who leaves the employ of an employer to enter the
16 (~~(armed forces)~~) uniformed services of the United States shall be
17 entitled to retirement system service credit for up to five years of
18 military service. This subsection shall be administered in a manner
19 consistent with the requirements of the federal uniformed services
20 employment and reemployment rights act.

21 (a) The member qualifies for service credit under this subsection
22 if:

23 (i) Within ninety days of the member's honorable discharge from the
24 uniformed services of the United States (~~(armed forces)~~), the member
25 applies for reemployment with the employer who employed the member
26 immediately prior to the member entering the (~~(United States armed~~
27 ~~forces)~~) uniformed services; and

28 (ii) The member makes the employee contributions required under RCW
29 41.32.775 within five years of resumption of service or prior to
30 retirement, whichever comes sooner; or

31 (iii) Prior to retirement and not within ninety days of the
32 member's honorable discharge or five years of resumption of service the
33 member pays the amount required under RCW 41.50.165(2).

34 (b) Upon receipt of member contributions under (a) (ii), (d) (iii),
35 or (e) (iii) of this subsection, the department shall establish the
36 member's service credit and shall bill the employer for its
37 contribution required under RCW 41.32.775 for the period of military
38 service, plus interest as determined by the department.

1 (c) The contributions required under (a) (ii), (d) (iii), or (e) (iii)
2 of this subsection shall be based on the compensation the member would
3 have earned if not on leave, or if that cannot be estimated with
4 reasonable certainty, the compensation reported for the member in the
5 year prior to when the member went on military leave.

6 (d) The surviving spouse or eligible child or children of a member
7 who left the employ of an employer to enter the uniformed services of
8 the United States and died while serving in the uniformed services may,
9 on behalf of the deceased member, apply for retirement system service
10 credit under this subsection up to the date of the member's death in
11 the uniformed services. The department shall establish the deceased
12 member's service credit if the surviving spouse or eligible child or
13 children:

14 (i) Provides to the director proof of the member's death while
15 serving in the uniformed services;

16 (ii) Provides to the director proof of the member's honorable
17 service in the uniformed services prior to the date of death; and

18 (iii) Pays the employee contributions required under chapter 41.45
19 RCW within five years of the date of death or prior to the distribution
20 of any benefit, whichever comes first.

21 (e) A member who leaves the employ of an employer to enter the
22 uniformed services of the United States and becomes totally
23 incapacitated for continued employment by an employer while serving in
24 the uniformed services is entitled to retirement system service credit
25 under this subsection up to the date of discharge from the uniformed
26 services if:

27 (i) The member obtains a determination from the director that he or
28 she is totally incapacitated for continued employment due to conditions
29 or events that occurred while serving in the uniformed services;

30 (ii) The member provides to the director proof of honorable
31 discharge from the uniformed services; and

32 (iii) The member pays the employee contributions required under
33 chapter 41.45 RCW within five years of the director's determination of
34 total disability or prior to the distribution of any benefit, whichever
35 comes first.

36 **Sec. 8.** RCW 41.32.865 and 1996 c 61 s 3 are each amended to read
37 as follows:

1 (1) A member who is on a paid leave of absence authorized by a
2 member's employer shall continue to receive service credit.

3 (2) A member who receives compensation from an employer while on an
4 authorized leave of absence to serve as an elected official of a labor
5 organization, and whose employer is reimbursed by the labor
6 organization for the compensation paid to the member during the period
7 of absence, may also be considered to be on a paid leave of absence.
8 This subsection shall only apply if the member's leave of absence is
9 authorized by a collective bargaining agreement that provides that the
10 member retains seniority rights with the employer during the period of
11 leave. The earnable compensation reported for a member who establishes
12 service credit under this subsection may not be greater than the salary
13 paid to the highest paid job class covered by the collective bargaining
14 agreement.

15 (3) Except as specified in subsection (4) of this section, a member
16 shall be eligible to receive a maximum of two years service credit
17 during a member's entire working career for those periods when a member
18 is on an unpaid leave of absence authorized by an employer. Such
19 credit may be obtained only if:

20 (a) The member makes the contribution on behalf of the employer,
21 plus interest, as determined by the department; and

22 (b) The member makes the employee contribution, plus interest, as
23 determined by the department, to the defined contribution portion.

24 The contributions required shall be based on the average of the
25 member's earnable compensation at both the time the authorized leave of
26 absence was granted and the time the member resumed employment.

27 (4) A member who leaves the employ of an employer to enter the
28 (~~((armed forces))~~) uniformed services of the United States shall be
29 entitled to retirement system service credit for up to five years of
30 military service if within ninety days of the member's honorable
31 discharge from the uniformed services of the United States (~~((armed~~
32 ~~forces))~~), the member applies for reemployment with the employer who
33 employed the member immediately prior to the member entering the
34 (~~((United States armed forces))~~) uniformed services. This subsection
35 shall be administered in a manner consistent with the requirements of
36 the federal uniformed services employment and reemployment rights act.

37 The department shall establish the member's service credit and
38 shall bill the employer for its contribution required under chapter

1 239, Laws of 1995 for the period of military service, plus interest as
2 determined by the department. Service credit under this subsection may
3 be obtained only if the member makes the employee contribution to the
4 defined contribution portion as determined by the department.

5 The contributions required shall be based on the compensation the
6 member would have earned if not on leave, or if that cannot be
7 estimated with reasonable certainty, the compensation reported for the
8 member in the year prior to when the member went on military leave.

9 (a) The surviving spouse or eligible child or children of a member
10 who left the employ of an employer to enter the uniformed services of
11 the United States and died while serving in the uniformed services may,
12 on behalf of the deceased member, apply for retirement system service
13 credit under this subsection up to the date of the member's death in
14 the uniformed services. The department shall establish the deceased
15 member's service credit if the surviving spouse or eligible child or
16 children:

17 (i) Provides to the director proof of the member's death while
18 serving in the uniformed services;

19 (ii) Provides to the director proof of the member's honorable
20 service in the uniformed services prior to the date of death; and

21 (iii) Pays the employee contributions required under this
22 subsection within five years of the date of death or prior to the
23 distribution of any benefit, whichever comes first.

24 (b) A member who leaves the employ of an employer to enter the
25 uniformed services of the United States and becomes totally
26 incapacitated for continued employment by an employer while serving in
27 the uniformed services is entitled to retirement system service credit
28 under this subsection up to the date of discharge from the uniformed
29 services if:

30 (i) The member obtains a determination from the director that he or
31 she is totally incapacitated for continued employment due to conditions
32 or events that occurred while serving in the uniformed services;

33 (ii) The member provides to the director proof of honorable
34 discharge from the uniformed services; and

35 (iii) The member pays the employee contributions required under
36 this subsection within five years of the director's determination of
37 total disability or prior to the distribution of any benefit, whichever
38 comes first.

1 **Sec. 9.** RCW 41.26.520 and 2002 c.28 s 1 are each amended to read
2 as follows:

3 (1) A member who is on a paid leave of absence authorized by a
4 member's employer shall continue to receive service credit as provided
5 for under the provisions of RCW 41.26.410 through 41.26.550.

6 (2) A member who receives compensation from an employer while on an
7 authorized leave of absence to serve as an elected official of a labor
8 organization, and whose employer is reimbursed by the labor
9 organization for the compensation paid to the member during the period
10 of absence, may also be considered to be on a paid leave of absence.
11 This subsection shall only apply if the member's leave of absence is
12 authorized by a collective bargaining agreement that provides that the
13 member retains seniority rights with the employer during the period of
14 leave. The basic salary reported for a member who establishes service
15 credit under this subsection may not be greater than the salary paid to
16 the highest paid job class covered by the collective bargaining
17 agreement.

18 (3) Except as specified in subsection (7) of this section, a member
19 shall be eligible to receive a maximum of two years service credit
20 during a member's entire working career for those periods when a member
21 is on an unpaid leave of absence authorized by an employer. Such
22 credit may be obtained only if the member makes the employer, member,
23 and state contributions plus interest as determined by the department
24 for the period of the authorized leave of absence within five years of
25 resumption of service or prior to retirement whichever comes sooner.

26 (4) A law enforcement member may be authorized by an employer to
27 work part time and to go on a part-time leave of absence. During a
28 part-time leave of absence a member is prohibited from any other
29 employment with their employer. A member is eligible to receive credit
30 for any portion of service credit not earned during a month of part-
31 time leave of absence if the member makes the employer, member, and
32 state contributions, plus interest, as determined by the department for
33 the period of the authorized leave within five years of resumption of
34 full-time service or prior to retirement whichever comes sooner. Any
35 service credit purchased for a part-time leave of absence is included
36 in the two-year maximum provided in subsection (3) of this section.

37 (5) If a member fails to meet the time limitations of subsection
38 (3) or (4) of this section, the member may receive a maximum of two

1 years of service credit during a member's working career for those
2 periods when a member is on unpaid leave of absence authorized by an
3 employer. This may be done by paying the amount required under RCW
4 41.50.165(2) prior to retirement.

5 (6) For the purpose of subsection (3) or (4) of this section the
6 contribution shall not include the contribution for the unfunded
7 supplemental present value as required by RCW 41.45.060, 41.45.061, and
8 41.45.067. The contributions required shall be based on the average of
9 the member's basic salary at both the time the authorized leave of
10 absence was granted and the time the member resumed employment.

11 (7) A member who leaves the employ of an employer to enter the
12 (~~(armed forces)~~) uniformed services of the United States shall be
13 entitled to retirement system service credit for up to five years of
14 military service. This subsection shall be administered in a manner
15 consistent with the requirements of the federal uniformed services
16 employment and reemployment rights act.

17 (a) The member qualifies for service credit under this subsection
18 if:

19 (i) Within ninety days of the member's honorable discharge from the
20 uniformed services of the United States (~~(armed forces)~~), the member
21 applies for reemployment with the employer who employed the member
22 immediately prior to the member entering the (~~(United States armed~~
23 ~~forces)~~) uniformed services; and

24 (ii) The member makes the employee contributions required under RCW
25 41.45.060, 41.45.061, and 41.45.067 within five years of resumption of
26 service or prior to retirement, whichever comes sooner; or

27 (iii) Prior to retirement and not within ninety days of the
28 member's honorable discharge or five years of resumption of service the
29 member pays the amount required under RCW 41.50.165(2).

30 (b) Upon receipt of member contributions under (a)(ii), (d)(iii),
31 or (e)(iii) of this subsection, the department shall establish the
32 member's service credit and shall bill the employer and the state for
33 their respective contributions required under RCW 41.26.450 for the
34 period of military service, plus interest as determined by the
35 department.

36 (c) The contributions required under (a)(ii), (d)(iii), or (e)(iii)
37 of this subsection shall be based on the compensation the member would

1 have earned if not on leave, or if that cannot be estimated with
2 reasonable certainty, the compensation reported for the member in the
3 year prior to when the member went on military leave.

4 (d) The surviving spouse or eligible child or children of a member
5 who left the employ of an employer to enter the uniformed services of
6 the United States and died while serving in the uniformed services may,
7 on behalf of the deceased member, apply for retirement system service
8 credit under this subsection up to the date of the member's death in
9 the uniformed services. The department shall establish the deceased
10 member's service credit if the surviving spouse or eligible child or
11 children:

12 (i) Provides to the director proof of the member's death while
13 serving in the uniformed services;

14 (ii) Provides to the director proof of the member's honorable
15 service in the uniformed services prior to the date of death; and

16 (iii) Pays the employee contributions required under chapter 41.45
17 RCW within five years of the date of death or prior to the distribution
18 of any benefit, whichever comes first.

19 (e) A member who leaves the employ of an employer to enter the
20 uniformed services of the United States and becomes totally
21 incapacitated for continued employment by an employer while serving in
22 the uniformed services is entitled to retirement system service credit
23 under this subsection up to the date of discharge from the uniformed
24 services if:

25 (i) The member obtains a determination from the director that he or
26 she is totally incapacitated for continued employment due to conditions
27 or events that occurred while serving in the uniformed services;

28 (ii) The member provides to the director proof of honorable
29 discharge from the uniformed services; and

30 (iii) The member pays the employee contributions required under
31 chapter 41.45 RCW within five years of the director's determination of
32 total disability or prior to the distribution of any benefit, whichever
33 comes first.

34 (8) A member receiving benefits under Title 51 RCW who is not
35 receiving benefits under this chapter shall be deemed to be on unpaid,
36 authorized leave of absence.

1 **Sec. 10.** RCW 43.43.260 and 2002 c 27 s 3 are each amended to read
2 as follows:

3 Upon retirement from service as provided in RCW 43.43.250, a member
4 shall be granted a retirement allowance which shall consist of:

5 (1) A prior service allowance which shall be equal to two percent
6 of the member's average final salary multiplied by the number of years
7 of prior service rendered by the member.

8 (2) A current service allowance which shall be equal to two percent
9 of the member's average final salary multiplied by the number of years
10 of service rendered while a member of the retirement system.

11 (3)(a) Any member commissioned prior to January 1, 2003, with
12 twenty-five years service in the Washington state patrol may have the
13 member's service in the ((armed-forces)) uniformed services credited as
14 a member whether or not the individual left the employ of the
15 Washington state patrol to enter such ((armed-forces)) uniformed
16 services: PROVIDED, That in no instance shall military service in
17 excess of five years be credited: AND PROVIDED FURTHER, That in each
18 instance, a member must restore all withdrawn accumulated
19 contributions, which restoration must be completed on the date of the
20 member's retirement, or as provided under RCW 43.43.130, whichever
21 occurs first: AND PROVIDED FURTHER, That this section shall not apply
22 to any individual, not a veteran within the meaning of RCW 41.06.150.

23 (b) A member who leaves the Washington state patrol to enter the
24 ((armed-forces)) uniformed services of the United States shall be
25 entitled to retirement system service credit for up to five years of
26 military service. This subsection shall be administered in a manner
27 consistent with the requirements of the federal uniformed services
28 employment and reemployment rights act.

29 (i) The member qualifies for service credit under this subsection
30 if:

31 (A) Within ninety days of the member's honorable discharge from the
32 uniformed services of the United States ((armed-forces)), the member
33 applies for reemployment with the employer who employed the member
34 immediately prior to the member entering the ((United States armed
35 forces)) uniformed services; and

36 (B) The member makes the employee contributions required under RCW
37 41.45.0631 and 41.45.067 within five years of resumption of service or
38 prior to retirement, whichever comes sooner; or

1 (C) Prior to retirement and not within ninety days of the member's
2 honorable discharge or five years of resumption of service the member
3 pays the amount required under RCW 41.50.165(2).

4 (ii) Upon receipt of member contributions under (b)(i)(B),
5 (b)(iv)(C), and (b)(v)(C) of this subsection, the department shall
6 establish the member's service credit and shall bill the employer for
7 its contribution required under RCW 41.45.060 for the period of
8 military service, plus interest as determined by the department.

9 (iii) The contributions required under (b)(i)(B), (b)(iv)(C), and
10 (b)(v)(C) of this subsection shall be based on the compensation the
11 member would have earned if not on leave, or if that cannot be
12 estimated with reasonable certainty, the compensation reported for the
13 member in the year prior to when the member went on military leave.

14 (iv) The surviving spouse or eligible child or children of a member
15 who left the employ of an employer to enter the uniformed services of
16 the United States and died while serving in the uniformed services may,
17 on behalf of the deceased member, apply for retirement system service
18 credit under this subsection up to the date of the member's death in
19 the uniformed services. The department shall establish the deceased
20 member's service credit if the surviving spouse or eligible child or
21 children:

22 (A) Provides to the director proof of the member's death while
23 serving in the uniformed services;

24 (B) Provides to the director proof of the member's honorable
25 service in the uniformed services prior to the date of death; and

26 (C) If the member was commissioned on or after January 1, 2003,
27 pays the employee contributions required under chapter 41.45 RCW within
28 five years of the date of death or prior to the distribution of any
29 benefit, whichever comes first.

30 (v) A member who leaves the employ of an employer to enter the
31 uniformed services of the United States and becomes totally
32 incapacitated for continued employment by an employer while serving in
33 the uniformed services is entitled to retirement system service credit
34 under this subsection up to the date of discharge from the uniformed
35 services if:

36 (A) The member obtains a determination from the director that he or
37 she is totally incapacitated for continued employment due to conditions
38 or events that occurred while serving in the uniformed services;

1 (B) The member provides to the director proof of honorable
2 discharge from the uniformed services; and

3 (C) If the member was commissioned on or after January 1, 2003, the
4 member pays the employee contributions required under chapter 41.45 RCW
5 within five years of the director's determination of total disability
6 or prior to the distribution of any benefit, whichever comes first.

7 (4) In no event shall the total retirement benefits from
8 subsections (1), (2), and (3) of this section, of any member exceed
9 seventy-five percent of the member's average final salary.

10 (5) Beginning July 1, 2001, and every year thereafter, the
11 department shall determine the following information for each retired
12 member or beneficiary whose retirement allowance has been in effect for
13 at least one year:

14 (a) The original dollar amount of the retirement allowance;

15 (b) The index for the calendar year prior to the effective date of
16 the retirement allowance, to be known as "index A";

17 (c) The index for the calendar year prior to the date of
18 determination, to be known as "index B"; and

19 (d) The ratio obtained when index B is divided by index A.

20 The value of the ratio obtained shall be the annual adjustment to
21 the original retirement allowance and shall be applied beginning with
22 the July payment. In no event, however, shall the annual adjustment:

23 (i) Produce a retirement allowance which is lower than the original
24 retirement allowance;

25 (ii) Exceed three percent in the initial annual adjustment; or

26 (iii) Differ from the previous year's annual adjustment by more
27 than three percent.

28 For the purposes of this section, "index" means, for any calendar
29 year, that year's average consumer price index for the Seattle-Tacoma-
30 Bremerton Washington area for urban wage earners and clerical workers,
31 all items, compiled by the bureau of labor statistics, United States
32 department of labor.

33 The provisions of this section shall apply to all members presently
34 retired and to all members who shall retire in the future.

35 **Sec. 11.** RCW 41.37.260 and 2004 c 242 s 32 are each amended to
36 read as follows:

1 (1) A member who is on a paid leave of absence authorized by a
2 member's employer shall continue to receive service credit as provided
3 for under RCW 41.37.190 through 41.37.290.

4 (2) A member who receives compensation from an employer while on an
5 authorized leave of absence to serve as an elected official of a labor
6 organization, and whose employer is reimbursed by the labor
7 organization for the compensation paid to the member during the period
8 of absence, may also be considered to be on a paid leave of absence.
9 This subsection shall only apply if the member's leave of absence is
10 authorized by a collective bargaining agreement that provides that the
11 member retains seniority rights with the employer during the period of
12 leave. The compensation earnable reported for a member who establishes
13 service credit under this subsection may not be greater than the salary
14 paid to the highest paid job class covered by the collective bargaining
15 agreement.

16 (3) Except as specified in subsection (4) of this section, a member
17 shall be eligible to receive a maximum of two years service credit
18 during a member's entire working career for those periods when a member
19 is on an unpaid leave of absence authorized by an employer. This
20 credit may be obtained only if:

21 (a) The member makes both the employer and member contributions
22 plus interest as determined by the department for the period of the
23 authorized leave of absence within five years of resumption of service
24 or prior to retirement whichever comes sooner; or

25 (b) If not within five years of resumption of service but prior to
26 retirement, pay the amount required under RCW 41.50.165(2).

27 The contributions required under (a) of this subsection shall be
28 based on the average of the member's compensation earnable at both the
29 time the authorized leave of absence was granted and the time the
30 member resumed employment.

31 (4) A member who leaves the employ of an employer to enter the
32 (~~armed forces~~) uniformed services of the United States shall be
33 entitled to retirement system service credit for up to five years of
34 military service. This subsection shall be administered in a manner
35 consistent with the requirements of the federal uniformed services
36 employment and reemployment rights act.

37 (a) The member qualifies for service credit under this subsection
38 if:

1 (i) Within ninety days of the member's honorable discharge from the
2 uniformed services of the United States ((armed forces)), the member
3 applies for reemployment with the employer who employed the member
4 immediately prior to the member entering the ((United States armed
5 forces)) uniformed services; and

6 (ii) The member makes the employee contributions required under RCW
7 41.37.220 within five years of resumption of service or prior to
8 retirement, whichever comes sooner; or

9 (iii) Prior to retirement and not within ninety days of the
10 member's honorable discharge or five years of resumption of service the
11 member pays the amount required under RCW 41.50.165(2).

12 (b) Upon receipt of member contributions under (a)(ii), (d)(iii),
13 or (e)(iii) of this subsection, the department shall establish the
14 member's service credit and shall bill the employer for its
15 contribution required under RCW 41.37.220 for the period of military
16 service, plus interest as determined by the department.

17 (c) The contributions required under (a)(ii), (d)(iii), or (e)(iii)
18 of this subsection shall be based on the compensation the member would
19 have earned if not on leave, or if that cannot be estimated with
20 reasonable certainty, the compensation reported for the member in the
21 year prior to when the member went on military leave.

22 (d) The surviving spouse or eligible child or children of a member
23 who left the employ of an employer to enter the uniformed services of
24 the United States and died while serving in the uniformed services may,
25 on behalf of the deceased member, apply for retirement system service
26 credit under this subsection up to the date of the member's death in
27 the uniformed services. The department shall establish the deceased
28 member's service credit if the surviving spouse or eligible child or
29 children:

30 (i) Provides to the director proof of the member's death while
31 serving in the uniformed services;

32 (ii) Provides to the director proof of the member's honorable
33 service in the uniformed services prior to the date of death; and

34 (iii) Pays the employee contributions required under chapter 41.45
35 RCW within five years of the date of death or prior to the distribution
36 of any benefit, whichever comes first.

37 (e) A member who leaves the employ of an employer to enter the
38 uniformed services of the United States and becomes totally

1 incapacitated for continued employment by an employer while serving in
2 the uniformed services is entitled to retirement system service credit
3 under this subsection up to the date of discharge from the uniformed
4 services if:

5 (i) The member obtains a determination from the director that he or
6 she is totally incapacitated for continued employment due to conditions
7 or events that occurred while serving in the uniformed services;

8 (ii) The member provides to the director proof of honorable
9 discharge from the uniformed services; and

10 (iii) The member pays the employee contributions required under
11 chapter 41.45 RCW within five years of the director's determination of
12 total disability or prior to the distribution of any benefit, whichever
13 comes first.

14 NEW SECTION. Sec. 12. Section 11 of this act takes effect July 1,
15 2006.

--- END ---

DRAFT FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBER:
Office of the State Actuary	035	10/25/04	Z-0177.1

SUMMARY OF BILL:

This bill impacts the Public Employees' Retirement System, the School Employees' Retirement System, the Teachers' Retirement System, the Law Enforcement Officers' and Firefighters' Retirement System Plan 2, the Washington State Patrol Retirement System, and the Public Safety Employees' Retirement System by authorizing interruptive military service credit for employees who cannot return to public employment due to death or total disability while serving in the uniformed services. Service credit could be purchased by a disabled member or survivor(s) of a deceased member for interruptive military service credit up to the date of death or disability.

Effective Date: 90 days after session.

CURRENT SITUATION:

Interruptive military service is governed by the Uniformed Services Employment and Re-employment Rights Act (USERRA). At a minimum, public employers must provide the protections specified in the act. State law can provide for benefits that are more generous than those under USERRA, as long as the minimum requirements of the federal law are fully satisfied.

USERRA provides for the re-employment of individuals who leave employment to serve in the uniformed services of the United States. Included in USERRA's re-employment rights is the right to restoration of retirement plan benefits, and to that end, USERRA provides for reinstatement of retirement service credit after re-employment. USERRA does not, however, address the retirement benefits that would have accrued to members who are never re-employed because they died while in active service or became totally incapacitated for continued service with their employer.

MEMBERS IMPACTED:

We estimate that each year, 0 to 6 members out of the total members of all the systems would be affected by this bill.

We estimate that for a typical member impacted by this bill, the increase in benefits would be in the \$40 to \$50 per month range.

FISCAL IMPACT:

The cost of this bill is insufficient to increase contribution rates in any of the affected systems.

Select Committee on Pension Policy

December Meeting Planner

(August 9, 2004)

EXECUTIVE COMMITTEE AGENDA (AM)

- (A) Deferred Rate Increases
- (B) Purchasing Power Subgroup Recommendation
- (C) Business Planning Subgroup
- (D)
- (E)

FULL COMMITTEE AGENDA

- (1) LEOFF 1 Benefit Cap
- (2) LEOFF 1 Ex-spouse Survivor Benefit
- (3) TRS Retire/Rehire Sick Leave Cashout
- (4) Interruptive Military Service
- (5) Purchasing Power Subgoup
 - PERS 1 and TRS 1 COLA
 - Retiree Health Insurance
 - Gain-sharing
- (6) Deferred Rate Increases
- (7) Age 65 Retirement
 - Rule of 90
 - TRS Service Credit Purchase
 - TRS Out-of-state Service Credit Purchase
- (8) Technical Corrections